

OFFICIAL STATEMENT
\$1,000,000,000*
STATE OF CALIFORNIA
GENERAL OBLIGATION BONDS

INTRODUCTION

This introduction is a brief summary of the terms of the Bonds and a brief description of the Official Statement; a full review should be made of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. Summaries of provisions of the Constitution and other laws of the State of California or of any other documents referred to in this Official Statement do not purport to be complete and such summaries are qualified in their entirety by references to the complete provisions.

Description of the Bonds

The Bonds are authorized by Bond Acts (defined below) approved by the voters of the State and by resolutions of finance committees created under the Bond Acts. The Bonds are being issued primarily to finance or refinance various State and local capital facilities. See "THE BONDS -- Identification and Authorization of the Bonds."

The Bonds will be issued in the aggregate principal amount of \$1,000,000,000*. The Bonds will be registered in the name of a nominee of The Depository Trust Company ("DTC") which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds may be in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Principal and interest are payable as specified on the cover of this Official Statement.

The Notice of Sale for the Bonds is Appendix E to the Official Statement.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the State to which the full faith and credit of the State are pledged (see "AUTHORIZATION OF AND SECURITY FOR THE BONDS--Security and Source of Payment" below). Principal of and interest on the Bonds are payable from moneys in the General Fund of the State Treasury (the "General Fund") (see Appendix A--"THE STATE OF CALIFORNIA--State Finances--The General Fund"), subject only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. The Bond Acts authorizing the Bonds provide that the State shall collect annually, in the same manner and at the same time as it collects other State revenues, a sum sufficient, in addition to the ordinary revenues of the State, to pay the principal of and interest on the Bonds.

* Preliminary, subject to change; see Appendix E--Notice of Sale.

Redemption*

The Bonds maturing on and after October 1, 2010 are subject to optional redemption prior to their respective stated maturity dates on and after October 1, 2007. The Bonds of certain maturities may be subject to mandatory redemption prior to their stated maturities, in part, from sinking fund payments made by the State to the extent the successful bidder for the Bonds so designates. See "THE BONDS-- Redemption" and Appendix E - Notice of Sale.

Tax Matters

In the opinion of the Attorney General of the State of California (the "Attorney General") and Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of the Attorney General and Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. The Attorney General and Co-Bond Counsel express no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" below and Appendix D-- "PROPOSED FORM OF LEGAL OPINION."

Certain Information Related to this Official Statement

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof.

All financial and other information presented in this Official Statement has been provided by the State from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

* Preliminary, subject to change.

Continuing Disclosure

The State Treasurer will agree on behalf of the State to provide annually certain financial information and operating data relating to the State by not later than April 1 of each year in which any Bonds are outstanding (the "Annual Report"), commencing with the report for the 1997-98 Fiscal Year, and to provide notices of the occurrence of certain other enumerated events if material. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are summarized below under Appendix C--"SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE."

Additional Information

Questions regarding this Official Statement and the issuance of these securities may be addressed to the office of the Honorable Matt Fong, Treasurer of the State of California, P.O. Box 942809, Sacramento, CA 94209-0001, telephone (916) 653-3451.

AUTHORIZATION OF AND SECURITY FOR THE BONDS

Authorization

Each general obligation bond act authorizing the issuance of general obligation bonds of the State (a "Bond Act") incorporates by reference the State General Obligation Bond Law (the "Law"), which is set forth in Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the California Government Code. The Law provides a procedure for the authorization, sale, issuance, use of proceeds, repayment and refunding of State general obligation bonds.

Security

The Bonds are general obligations of the State, payable in accordance with the Bond Acts out of the General Fund. The full faith and credit of the State are pledged for the punctual payment of the principal of and the interest on the Bonds. All general obligation bonds have an equal claim to the General Fund, subject only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education. The Bond Acts provide that the State shall collect annually in the same manner and at the same time as it collects other State revenue an amount sufficient, in addition to the ordinary revenue of the State, to pay principal of and interest on the Bonds. Each Bond Act also contains a continuing appropriation from the General Fund of the sum annually necessary to pay the principal of and interest on the Bonds as they become due and payable. Payment of the principal of and interest on the Bonds is subject only to the prior application of moneys in the General Fund to the support of the public school system and public institutions of higher education.

THE BONDS

The Bonds will be registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. See Appendix B--"BOOK-ENTRY SYSTEM."

The Bonds will be dated October 1, 1997 and will mature on October 1 of the years, and in the amounts, set forth on the cover page hereof. Interest is payable on April 1 and October 1 in each year (each, an "Interest Payment Date"), commencing April 1, 1998, at the rates shown on the cover page of this Official Statement. Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve thirty-day months.

Principal and interest are payable directly to DTC by the State Treasurer. Upon receipt of payments of principal and interest, DTC is to in turn remit such principal and interest to the participants in DTC for disbursement to the beneficial owners of the Bonds. The record date for the payment of interest on the Bonds is the close of business on the 15th day of the month immediately preceding an Interest Payment Date, whether or not the day is a business day.

Identification and Authorization of the Bonds

The Bonds are issued under ten* Bond Acts, each authorized by the voters. See Appendix A--"THE STATE OF CALIFORNIA--State Indebtedness." Bonds in the aggregate principal amount of \$977,100,000* are for the purpose of refunding outstanding State general obligation commercial paper notes, which have been issued and are outstanding, and which financed certain projects or programs described below under "Purposes of the Bonds." The commercial paper notes being retired will all be repaid within ninety days after the delivery of the Bonds, so as to constitute a "current refunding" for federal tax purposes. The remaining bonds are new money issues for the purposes set forth below under "Purposes of the Bonds."

\$977,100,000* General Obligation Current Refunding Bonds

\$77,000,000 principal amount of State of California Clean Air and Transportation Improvement Bonds, Series N, authorized under the Clean Air and Transportation Improvement Bond Act of 1990.

\$550,100,000 principal amount of State of California Public Education Facilities Bonds, Series D, authorized by the State School Building Finance Committee under the Public Education Facilities Bond Act of 1996.

\$50,000,000 principal amount of State of California Safe, Clean, Reliable Water Supply Bonds, Series A, authorized under the Safe, Clean, Reliable Water Supply Act (1996).

\$300,000,000 principal amount of State of California Seismic Retrofit Bonds, Series B, authorized under the Seismic Retrofit Bond Act of 1996.

* Preliminary, subject to change.

\$22,900,000* General Obligation Bonds

\$1,000,000 principal amount of State of California Lake Tahoe Acquisitions Bonds, Series G, authorized under the Lake Tahoe Acquisitions Bond Act (1982).

\$1,500,000 principal amount of State of California New Prison Construction Bonds, Series Z, authorized under the New Prison Construction Bond Act of 1986.

\$6,400,000 principal amount of State of California Park and Recreational Facilities Bonds, Series U, authorized under the California Park and Recreational Facilities Act of 1984.

\$2,500,000 principal amount of State of California Safe Drinking Water Bonds, Series P, authorized under the Safe Drinking Water Bond Law of 1976.

\$1,500,000 principal amount of State of California Safe Drinking Water Bonds, Series Q, authorized under the Safe Drinking Water Bond Law of 1984.

\$10,000,000 principal amount of Water Conservation and Water Quality Bonds, Series J, authorized under the Water Conservation and Water Quality Bond Law of 1986.

Purposes of the Bonds

The proceeds of the Bonds are being used to finance and refinance capital facilities, plus in some cases costs of program operation, at both the State and local levels, for public purposes including improvement of rail transportation, new prison construction, K-12 education facilities, seismic retrofitting, parks and recreational facilities, undeveloped land acquisitions, water safety and reliability, water conservation and water quality development. The proceeds of new money Bonds may be used in part to repay interim loans for some programs from the State's Pooled Money Investment Account as described in Appendix A--"THE STATE OF CALIFORNIA--State Finances--Investment of Funds."

* Preliminary, subject to change.

Redemption

Optional Redemption

Bonds maturing on or before October 1, 2009 are not subject to optional redemption prior to maturity. Bonds maturing on and after October 1, 2010 are subject to optional redemption prior to their respective stated maturity dates, in whole or in part, in such order of maturity as may be designated by the State Treasurer and by lot within any maturity, on any date on or after October 1, 2007 at the redemption prices stated below, plus accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price (as percentage of Principal Amount Redeemed)</u>
October 1, 2007 through September 30, 2008 . .	101%
October 1, 2008 and thereafter	100

Sinking Fund Redemption

Certain Term Bonds are subject to redemption prior to their respective stated maturity dates, in part, by lot, from sinking fund payments made by the State, at a redemption price of 100 percent of the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium, on October 1 of the years, and in the amounts, shown below:

<u>Sinking Fund Payment Date (October 1)</u>	<u>Principal Amount Redeemed</u>
--	--------------------------------------

If a Term Bond is called for optional redemption in part (see "Optional Redemption" above), the remaining sinking fund installments for such Term Bond shall be adjusted as determined by the State Treasurer.

Notice of Redemption

When redemption is required while the Bonds are in book-entry only form, the State Treasurer shall give notice of redemption by mailing copies of such notice only to DTC (not to

* Preliminary, subject to change.

** Pursuant to the Notice of Sale (Appendix E), the successful bidder for the Bonds may designate any maturities (subject to certain limitations) to be sinking fund installments of a Term Bond rather than serial maturities.

the owners of the Bonds) not less than thirty or more than sixty days prior to the date fixed for redemption. DTC, in turn, is to send the notice of redemption to its participants for distribution to the beneficial owners of the Bonds. See Appendix B--"BOOK-ENTRY SYSTEM." The notice will state, among other things, that the Bonds or a designated portion thereof (in the case of redemption of a Bond in part but not in whole) are to be redeemed, the dated date of the Bonds, the redemption date, the maturities of the Bonds to be redeemed and the redemption price. The notice will also state that after the date fixed for redemption, no further interest will accrue on the principal of any Bonds called for redemption. Notice of redemption will also be provided by mail to certain financial services and securities depository services.

[BALANCE OF THIS PAGE INTENTIONALLY LEFT BLANK]

Semi-annual Debt Service Requirements

The following table sets forth the amounts required to be made available for the payment of interest due on the Bonds (payable on April 1 and October 1 of each year, commencing April 1, 1998), the payment of principal due on the Bonds at their respective stated maturity or sinking fund payment dates, and the total payments due on the Bonds.

<u>Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
4/1/1998	\$	\$	\$
10/1/1998			
4/1/1999			
10/1/1999			
4/1/2000			
10/1/2000			
4/1/2001			
10/1/2001			
4/1/2002			
10/1/2002			
4/1/2003			
10/1/2003			
4/1/2004			
10/1/2004			
4/1/2005			
10/1/2005			
4/1/2006			
10/1/2006			
4/1/2007			
10/1/2007			
4/1/2008			
10/1/2008			
4/1/2009			
10/1/2009			
4/1/2010			
10/1/2010			
4/1/2011			
10/1/2011			
4/1/2012			
10/1/2012			
4/1/2013			
10/1/2013			
4/1/2014			
10/1/2014			
4/1/2015			
10/1/2015			
4/1/2016			

<u>Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
10/1/2016			
4/1/2017			
10/1/2017			
4/1/2018			
10/1/2018			
4/1/2019			
10/1/2019			
4/1/2020			
10/1/2020			
4/1/2021			
10/1/2021			
4/1/2022			
10/1/2022			
4/1/2023			
10/1/2023			
4/1/2024			
10/1/2024			
4/1/2025			
10/1/2025			
4/1/2026			
10/1/2026			
4/1/2027			
10/1/2027			

See the debt service schedules in Appendix A--"STATE OF CALIFORNIA--State Indebtedness--Authorized and Outstanding State Debt" for information on the debt service requirements on other outstanding State general obligation bonds.

New York Stock Exchange Listing

If the successful bidder for the Bonds designates any Term Bonds (see Appendix E--"Notice of Sale"), the State Treasurer expects to list such Term Bonds on The New York Stock Exchange. There can be no assurance that such Term Bonds will continue to be listed for the duration of the time they will be outstanding.

TAX MATTERS

In the opinion of the Honorable Daniel E. Lungren, Attorney General of the State of California, and Orrick, Herrington & Sutcliffe LLP and the Law Offices of Joaquin A. Talleda, Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal

income taxes. The Attorney General and Co-Bond Counsel are also of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of legal opinion for the Bonds is set forth in Appendix D.

The difference (if any) between the issue price of any maturity of the Bonds and the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The State has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of the Attorney General and Co-Bond Counsel assumes compliance with these covenants. Neither the Attorney General nor Co-Bond Counsel has undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although the Attorney General and Co-Bond Counsel have rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. The Attorney General and Co-Bond Counsel express no opinion regarding any such other tax consequences.

LEGAL OPINIONS

The opinion of the Honorable Daniel E. Lungren, Attorney General of the State of California, and Orrick, Herrington & Sutcliffe LLP, Sacramento, California, and the Law Offices of Joaquin A. Talleda, Pasadena, California, Co-Bond Counsel, approving the validity of the Bonds and stating the opinions expressed under "TAX MATTERS," will be substantially in the form of Appendix D. The Attorney General and Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

LITIGATION

There is not now pending or known to the Attorney General to be threatened any litigation seeking to prevent the sale and delivery of the Bonds or questioning the validity of the Bonds. While at any given time, including the present, there are numerous civil actions pending against the State, which could, if determined adversely to the State, affect the State's expenditures and, in some cases, its revenues, the Attorney General is of the opinion that no pending actions are likely to have a material adverse effect on the State's ability to pay principal of, premium, if any, and interest on the Bonds when due. See Appendix A--"THE STATE OF CALIFORNIA--Litigation."

FINANCIAL STATEMENTS

Attached as Exhibit 1 to Appendix A are the Audited General Purpose Financial Statements of the State for the Fiscal Year ended June 30, 1996. These statements have been examined by the State Auditor to the extent indicated in his report appearing in Appendix A. Certain unaudited financial information is also included in Appendix A.

FINANCIAL ADVISOR

Public Resources Advisory Group served as the Financial Advisor to the State in connection with the issuance of the Bonds.

RATINGS

The Bonds have received ratings of "___" by Moody's Investors Service ("Moody's"), "___" by Standard & Poor's, a division of The McGraw-Hill Companies ("Standard & Poor's") and "___" by Fitch Investors Service, Inc. ("Fitch"). An explanation of the significance and status of such credit ratings may be obtained from the rating agencies furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any such rating agencies, if in their respective judgments, circumstances so warrant. A revision or withdrawal of any such credit rating could have an effect on the market price of the Bonds. After the Bonds are rated, the State Treasurer intends to provide appropriate periodic credit information to the bond rating agencies to assist in maintaining the ratings on the Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds.

All financial and statistical data contained herein have been taken or constructed from State records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Any statements made in this Official Statement involving matters of opinion, projections or estimates, whether expressly stated or not, are set forth as such and not as representations of fact.

STATE OF CALIFORNIA

MATT FONG

Treasurer of the State of California